

AUDIT SUMMARY

Our audit of The Library of Virginia for the period January 1 through December 31, 1999, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operation that we consider material weaknesses;
- no instances of noncompliance that are required to be reported; and
- adequate corrective action with respect to the prior year audit finding relating to noncompliance with state procurement regulations.

May 10, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

FINANCIAL HIGHLIGHTS

The Library of Virginia currently maintains a collection of approximately 700,000 books, periodicals, newspapers, and other materials and provides Internet access to these volumes through the on-line catalogs, digital collections, and multiple indexes on its Internet site. The Library provides assistance to state agencies and public libraries in maintaining libraries and collections, publications, educational services, and record management. The Library also distributes state and federal funds to 90 public libraries.

The new State Records Center opened on July 1, 1999, and serves as the repository for both inactive and permanent records, as well as security microfilm copies of state and local government records. The Records Center has three sections: one to house offices and imaging services, and two record storage wings on either side. The center section houses staff to scan, microfilm, process film, prepare documents, decontaminate records, and shred documents eligible for destruction. The east wing houses non-current state agency and local government records. The west wing houses low-reference permanent records.

Programs

The Library conducts operations through the following programs:

- *Archives Management* - maintains central reference library and repository for all state publications and archives of the Commonwealth.
- *Statewide Library Services* - provides advisory assistance to public libraries within the Commonwealth, such as assistance with acquisition of books and materials, development of policies, development of cooperative library networks, and developing technological needs. The Library also maintains the Virginia Library and Information Network, which links over 3,000 librarians at approximately 570

Virginia libraries. This network facilitates communication and promotes the exchange of library materials and information.

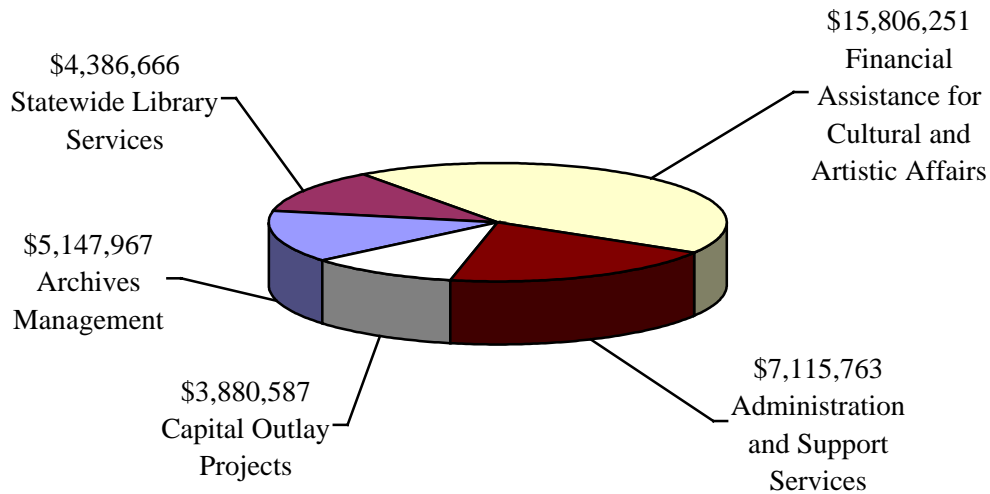
- *Financial Assistance for Cultural and Artistic Affairs* - provides state assistance to local libraries using the formula in the Code of Virginia. Historically, the Library has not received sufficient appropriations to fully fund the formula calculated assistance. During fiscal years 1998, 1999, and 2000, appropriations funded 73, 80, and 85 percent of the calculated assistance level respectively. The General Assembly established a phase-in of funding method that will provide full funding in fiscal year 2001.

The Library also distributes additional funding to local libraries through federal grants.

- *Administrative and Support Services* – includes budgeting, financial reporting, procurement, human resources, facilities management, photography, computer services, and similar activities.

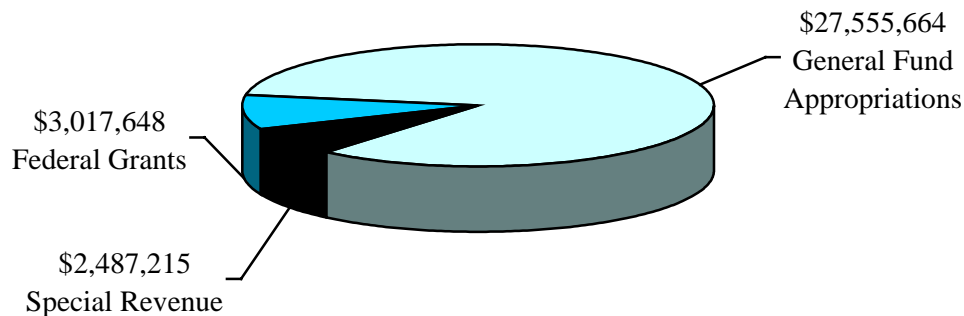
Financial Information

FISCAL YEAR 1999 EXPENSES



Program funding primarily comes from General Fund appropriations. The Library also receives special revenues from circuit court fees and other sources, as well as federal grants under the Library and Services Technology Act under the Institute of Museum and Library Services. The amount from the circuit courts represents a one-dollar fee for each deed and will recorded and supports projects to preserve circuit court records.

FISCAL YEAR 1999 RECIEPTS



INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of **The Library of Virginia** for the period January 1 through December 31, 1999. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Library's internal control, and test compliance with applicable laws and regulations. We also reviewed the Library's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Library's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

- Revenue and Cash Receipts
- Expenses
- Fixed Assets

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Library's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Library's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable,

but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Library properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Library records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Library has taken adequate corrective action with respect to the prior year audit finding relating to noncompliance with state procurement regulations.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JHS:kva
kva:37

THE LIBRARY OF VIRGINIA
Richmond, Virginia

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